



Interim Performance Objectives

Final Report Fiscal Year 1999

Student Financial Assistance



We help put America through school



A MESSAGE
FROM THE
CHIEF OPERATING
OFFICER

Dear Customers and Partners:

I am proud to send you SFA's final report on the Interim Performance Plan. We have met, and even surpassed, nearly all our goals. Take a look at the Status at a Glance chart on the first page. We have new products such as Direct Loan entrance and exit counseling, a website that allows students to correct their aid applications online, and a subsidiary ledger system design. We are doing our core business better too — processing aid applications faster, consolidating loans faster, awarding Pell grants faster, and helping more borrowers to avoid defaulting on their loans. We've also met all the major milestones on our way to becoming a Performance Based Organization — we found out from our customers what they want, realigned our organization and business processes so we can deliver what they want, completed a Computer Systems Modernization Blueprint, and hired a modernization partner to help us use computers like the best in business use them to cut costs and satisfy customers.

The interim goals were essentially met. The preparation is complete. Now SFA is ready to show what a PBO can do. In our Five-Year Performance Plan we will narrow our focus to three measures of success and set our sights high. We'll raise our **customer satisfaction** index from a level typical of government to the range enjoyed by America's best financial service companies. We will reduce our **unit cost** — the amount we spend administering per recipient — by one-fifth. And our **employee satisfaction rating** will soar from mediocre to the level of NASA workers who reach for the stars. Why shouldn't SFA employees find their jobs just as satisfying? After all, they help put America through school.

Look for our Five-Year Performance Plan. It will be out next month and we'll report progress quarterly.



INTERIM PERFORMANCE INDICATOR STATUS AT A GLANCE

September 30, 1999

Objective	Indicator	Status
Improve Customer Satisfaction	New Recipient Financial Management System in place by Aug 30, 1999 <ul style="list-style-type: none"> Initial Authorization (5/26/99) Origination (5/26/99) Disbursement (6/30/99) MIS/IPOS/Other (8/13/99) 	<div>✓</div> <div>✓</div> <div>✓</div> <div>✓</div>
	Complete, validate, and put in use all Y2K systems conversions by 3/31/99	✓
	Process aid applications within eight days	✓
	Provide capability to disburse Direct Loan funds while students wait	X Dropped for low customer interest
	Process Direct Loan Consolidation applications in 60 days or less	✓
	Improve processing of key financial transactions	✓
	Complete all critical transactions affecting schools' participation to minimize disruptions for students	✓ Minimized disruption, X Backlogs still too high
	Create five new positive experiences in service delivery	✓
	Introduce five new electronic products and services	✓
	Establish program to collect customer preferences by 9/30/99	✓
	Attract 3 million electronic filings through 9/30/99	✓
Reduce the Overall Cost of Delivering Student Aid	Establish baseline student aid delivery costs	✓
	Create core measures for judging cost reduction	✓
	Provide support to receive a clean audit opinion on financial statements	✓
	Maintain default recovery rate at 10 percent or more	✓
	Continue actions necessary to maintain cohort default rate at 10 percent or less	✓
	Use performance-based contracts in all major new awards	✓
	Implement acquisition strategy that uses performance-based contracting	✓
	Extend current contracts to avoid cost impacts	✓
	Review PBO operations to identify opportunities to reduce cost	✓
	Develop incentives to encourage high performance by our partners	✓
	Design subsidiary ledgers	✓
Transform the Student Financial Assistance Office Into a Performance-Based Organization	Deliver a preliminary budget plan to Congress (4/5/99)	✓
	Identify best practices that can be used to benchmark our processes (7/1/99)	✓
	Deliver a customer service and satisfaction improvement report (7/1/99)	✓
	Conduct collaborative working sessions with partners	✓
	Test all major publications, training materials, and electronic products	✓
	Develop a Human Resources and Organizational Plan	✓
	Develop a system to measure employee satisfaction	✓
	Hire an Ombudsman and build a complaint cherishing system	✓
	Complete a modernization blueprint	✓
	Deliver a 5-year performance plan for the PBO	November

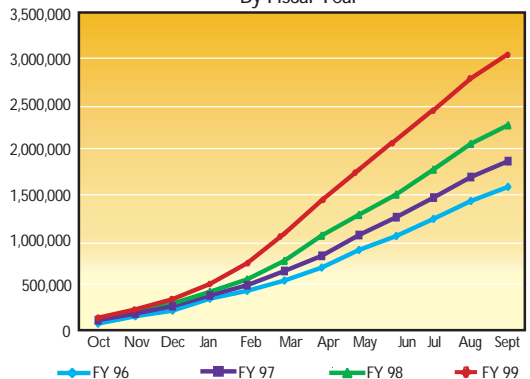
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OBJECTIVE ONE: Improve Customer Service

- ❖ SFA completed its Y2K renovation and testing in early March, and now we are working to ensure that our partners are also ready for the new millennium. We are exchanging test data with schools and financial partners and posting the "Testing Honor Roll" on the Department's Y2K web page (<http://www.ed.gov/offices/OCIO/year/b2c1.html>).
- ❖ Our goal was to provide customers with five new positive experiences in service delivery. We came up with nine. New, better services since the last quarterly report include: FAFSA Corrections on the Web, web-based Direct Loan Exit Counseling, and the establishment of "business partnerships" with Guaranty Agencies to share best practices related to debt collection efforts.
- ❖ We met our goal to introduce five new electronic products and services. One such product is "SFA COACH," a basic training course for school aid administrators. Its development was accelerated in response to the expressed needs of our partners. Available on the web, the course contains 21 lessons with a total of 36 coming on line by January 2000. A preview version available on CD was recently mailed to schools.
- ❖ We met the spirit of one goal, but not the letter. We set out to complete all critical transactions affecting schools so that we would not disrupt service to the students. We did manage to avoid disrupting service to students, but only by devising workarounds for late transactions. We'll keep this goal on the books and keep working on it.
- ❖ We dropped one goal that we thought was a great idea, but schools didn't. We wanted *at least half of the Direct Loan schools to disburse money to students while they wait*. Through surveys we learned that only about one-third of schools wanted to use this flexibility. Some schools, for example, have a policy not to disburse funds before the Department accepts the promissory note. We'll continue to make the option available to all Direct Loan schools.



FAFSAs Filed Electronically
By Fiscal Year

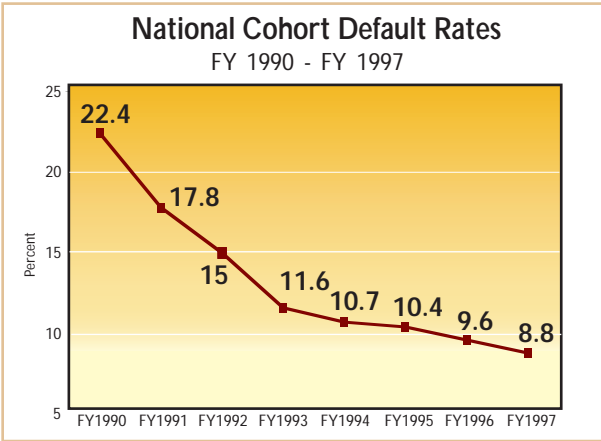


SFA met its goal of receiving
3 million electronic FAFSAs in 1999

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OBJECTIVE TWO: Reduce the Overall Cost of Delivering Student Aid

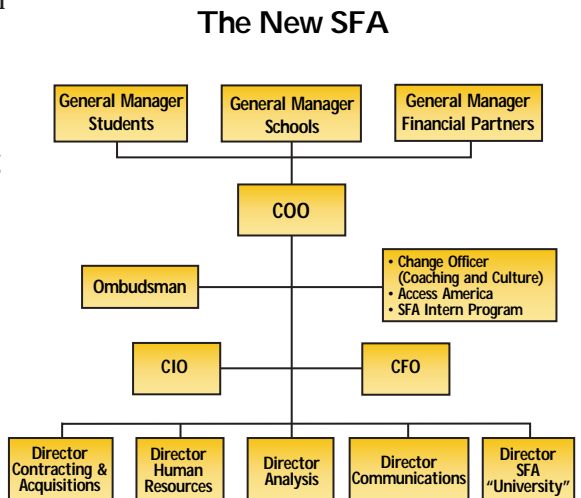
- ❖ This quarter, we established base-line estimates of the overall unit cost of delivering student aid. The next step is to disaggregate the total unit cost into a unit cost for each of our major business processes. That will give us a new management grip on things, and focus everyone's energies on a critical measure of success — cutting unit costs by one-fifth.
- ❖ Default costs dwarf all others, so we work especially hard helping borrowers avoid defaulting on their loans. On October 5, the Department announced the national student loan default rate fell to 8.8 percent for fiscal year 1997, the lowest point since the federal government started tracking and managing the rate. It is the seventh consecutive year of decline.
- ❖ We completed the conceptual design of a financial management system that will include cost accounting and full subsidiary ledger structures to support SFA requirements and provide important management information.



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OBJECTIVE THREE: Transform the Student Financial Assistance Office Into a Performance-Based Organization

- ❖ During the last quarter, we released the Computer System Modernization Blueprint. This version of the blueprint follows extensive dialogue with the student aid community on several earlier drafts. The blueprint maps SFA plans to modernize and integrate its systems based on the best private sector practices.
- ❖ We have created an SFA Ombudsman organization equipped with a complaint tracking system, hotline, and website. Our Ombudsman is helping customers resolve the most intractable problems and is collecting information that we will use to improve our services and prevent future problems.
- ❖ We have reorganized our workforce and our business processes to align with our customer segments. We have three general managers — for Students, Schools, and Financial Partners — a CIO, and a CFO. We have filled all the top jobs with top-notch people, several of them experts in their field from the private and public sectors.
- ❖ Our Five-Year Performance Plan is on the Web at www.ed.gov/offices/OSFAP for public review and comment. We will deliver it to Congress in November.



FEDERAL STUDENT FINANCIAL ASSISTANCE

Program Volumes and the Federal Aid Programs' Contribution that Help Students Pay for their Postsecondary Education

Number and Dollar Amount of Federal Student Aid Awards
by the Office of Student Financial Assistance, U.S. Department of Education
FY 1999 - FY 2000¹

	FY 1999 (Est)		FY 2000 (Est) ²	
	No. of Awards (Mil)	\$ Awarded (Bil)	No. of Awards (Mil)	\$ Awarded (Bil)
Pell Grants	3.8	7.4	3.9	7.9
Federal Family Education Loans (FFEL)	5.5	20.4	5.8	21.4
Federal Direct Student Loans (DL)	2.9	10.1	2.9	10.6
Consolidation Loans ³	0.7	12.5	0.4	7.7
Campus-Based Programs	2.7	2.9	2.8	3.0
Work-Study	0.9	1.0	1.0	1.1
Supplemental Grants	1.1	0.8	1.1	0.8
Perkins Loans	0.7	1.1	0.7	1.1
Leveraging Educational Assistance Partnerships ⁴	0.1	0.1	0.1	0.1
Total	15.7	53.2	15.9	50.6

Number of Students Aided by SFA Programs (Unduplicated Count)

8.2	8.5
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Note: Totals may not add due to rounding.

¹Shows total aid generated by the Office of Student Financial Assistance, including Federal Family Education Loan capital, Perkins Loan capital from institutional revolving funds, and institutional and matching state funds.

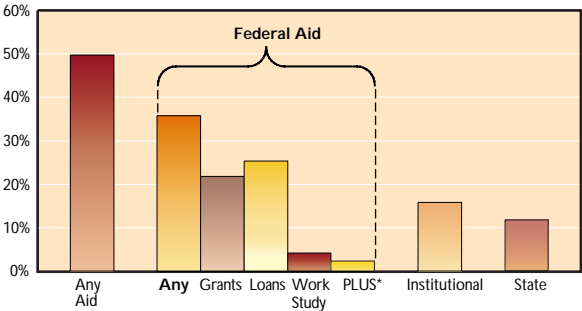
²Based upon requested amounts in the FY 2000 President's Budget.

³New FFEL and DL issued to consolidate existing loans.

⁴Reflects the LEAP program's statutory dollar for dollar state matching requirements.

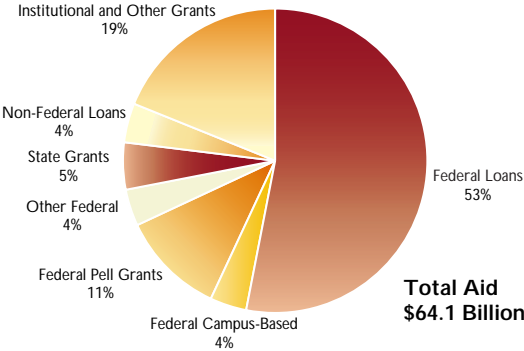
SOURCE: U.S. Department of Education, Office of the Undersecretary

Percentage of Undergraduates Receiving Aid
by Aid Type



SOURCE: US Department of Education, 1995-96 National Postsecondary Student Aid Study
*Parent Loan for Undergraduate Students

Estimated Student Aid by Source
for Academic Year 1998-99
(Dollars)



SOURCE: The College Board, Trends in Student Aid 1999